[Issuers Took More Time to Complete Financial Audits in 2015.](#)

WASHINGTON – Most state and local governments and their authorities took longer to complete their financial audits in 2015 than they did the year before, likely because of new pension reporting requirements, Merritt Research Services found.

Merritt published its report on audit timing on Monday. The report was written by Richard Ciccarone, president and chief executive officer of Merritt. It compared more than 84,000 audits that encompassed the period between 2007 and 2015 and based its analysis on the time it takes an issuer or borrower to finish and sign its audit after the close of its fiscal year.

The report focused on the audited financials in 16 primary muni credit sectors: local school districts, cities, counties, water and sewer districts, airports, community colleges, dedicated tax entities, hospitals, private higher education, public higher education, retail public power, wholesale public power, special districts, states and territories, tollways, and other revenue supported borrowers.

The median number of days that it took all of the Merritt-tracked muni credit sectors to complete their audits rose to 151 days in 2015, nine more than the 142 median in fiscal year 2014, and the first time since 2008 that the median rose above 150 days. Thirteen of the 16 muni sectors that merit tracks took longer to complete financial audits in 2015 than they did in 2014.

Retail electric and the miscellaneous category of "other revenues" were the only two sectors to improve their median reporting times while hospitals stayed the same from 2014.

"Audit timeliness remains an essential requisite to taxpayers as well as market accountability and transparency," Ciccarone wrote in the report. "For municipal bondholders, late or stale audits inhibit accurate bond pricing and cloud assessments of risk."

Of the sectors, states and territories took the longest to report with a median of 182 days and counties were a close second with a median reporting time of 180 days, which follows a trend Merritt has been seeing since 2008 where states and counties have been "running at the back of the pack." Dedicated tax obligors and cities had median completion times of 173 and 172 days, respectively.

"Governmental type municipal borrowers were more than likely affected and slowed down in 2015 by the new experiences of reporting pension information under the newly effective" Governmental Accounting Standards Board 67 and 68 rules, Ciccarone said in the report.

GASB 67 and 68 revised existing GASB guidance for the financial reports of most pension plans for state and local governments. GASB 67 took effect for pension plans in fiscal years beginning after June 15, 2013 and GASB 68 took effect for governments in fiscal years beginning after June 15, 2014. He said that despite the delays, the rules are welcome because they lead to more detailed and descriptive pension information.

The implementation of the new accounting rules also affected some revenue bond issuers and borrowers, according to Ciccarone. He gave an example of an airport that reports its audits in its city's comprehensive annual financial report and is therefore "tied into the city" that could be delayed because it is working with the new GASB rules.

Additionally, he noted that not every issuer or borrower suffered a slowdown after the new GASB rules. He used New York State and New York City as examples of complex credits that still managed to sign off on their 2015 reports in 115 and 121 days, respectively.

The only state to have a faster reporting time than New York in fiscal year 2015 was Michigan, which only took 92 days to file its audit. Michigan has had the fastest audit filing of all states and territories since fiscal year 2013 when it improved its time to 82 days from 151 days in fiscal year 2012. Michigan's 2015 timing almost meets the SEC standard for corporations, which requires companies to complete audited financials in 60 to 90 days, depending on the company's size.

Financially troubled entities took longer on their audits than others, the report found. San Bernardino, Calif., which was still in bankruptcy in 2015, took 456 days to file. Puerto Rico, which has been struggling with roughly $70 billion in debt that its governor has deemed unpayable, still hasn't filed its 2015 audit and took 731 days to file its information for 2014.

Alabama and the Northern Mariana Islands join Puerto Rico as the only other states or territories that the report found did not file their audited financials for 2015.

Alabama consistently filed its audits within about 180 days since fiscal year 2008, according to the report data.

The Bond Buyer

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